



**CHF Submission on the *Contribution of the Not for Profit Sector:*
*Productivity Commission Draft Research Report***

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The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF welcomes the opportunity to comment on the Productivity Commission's Draft Research Report on the *Contribution of the Not for Profit Sector*. CHF is a Not-for-Profit (NFP) organisation, as are many of our members, and the issues raised in the report are of significant interest to us. This submission addresses a range of areas raised in the research report, including smarter regulation of the sector, realising funding opportunities for the sector, sustaining the workforce, removing impediments to better value funding of government funded services, and building stronger, more effective relationships for the future. The recommendations we hand down are based on principles we have developed through years of consultations with members.

Smarter Regulation of the Not-for-Profit sector

Providing for appropriate legal forms

CHF welcomes the Commission's recommendation to establish a Commonwealth incorporated associations legal structure for organisations who wish to be incorporated at the national level.

CHF considers that organisations with incomes less than \$150,000 per annum should continue to operate within State and Territory jurisdictions.

CHF recommends that the Standard Business Reporting program, which assists business by making forms easier to understand; using accounting and record keeping software to automatically pre-fill government forms; and, introducing a single secure way to interact on-line with participating agencies be extended to community organisations. CHF considers that this would improve the ability of organisations to migrate between legal forms and jurisdictions.

Reducing unnecessary compliance burdens

CHF welcomes the Commission's recommendation that Australian Governments work together to harmonise the regulation of funding.

We also support the definitions recommended by the 2001 *Inquiry into the Definition of Charities and Related Organisations* for the adoption of a statutory definition of charitable purposes.

CHF notes that the Queensland University of Technology (QUT), in partnership with Queensland Government departments, has developed a generic Chart of Accounts for NFP organisations. Departments have been requested to adopt the data dictionary classifications and terminology of this generic Chart of Accounts in the grant application

and acquittal forms provided to NFP organisations. Government Department use of standardised terminology for account codes, and costs to be included in those codes, in their application and acquittals processes will significantly streamline current reporting requirements and reduce the administrative burden for NFP organisations, particularly those receiving grants from a number of Departments. CHF has adopted this system and has found it very valuable. We have promoted it to our members and would welcome its wider adoption throughout the sector.

We refer to the next section of this submission, which deals with issues relating to funding.

Consolidating Commonwealth regulation and improving transparency

CHF supports the Commission's recommendation to establish a Registrar for Community and Charitable Purpose Organisations. This review is one of seven national inquiries relating to the governance of the sector since 1995, and successive initiatives have identified the need for an agency of this kind. We believe the Registrar should be a separate agency, independent of the Australian Taxation Office and the Australian Securities and Investments Commission.

In sectoral surveys, community organisations have highlighted the need for support services, financial and taxation advice, legal advice, governance advice, and dispute resolution. On this basis, we support the functions of the Registrar to:

- register and regulate incorporated associations and companies;
- provide endorsements for tax concessions;
- regulate cross-jurisdictional funding support;
- oversee reporting; and
- administer governance education and complaints handling.

We note that there was a strong push for dispute resolution and mediation frameworks between the community sector, community organisations and the Government as part of the consultations for a National Social Compact. We suggest that dispute resolution be canvassed as a possible function of the proposed Registrar.

In addition to these functions, the 2001 *Inquiry into the Definition of Charities and Related Organisations* proposed that a new body could take responsibility for developing a comprehensive profile of the sector, and helping to position the sector as a significant contributor to the economy and society. The availability of this information could also enable the body to become an authoritative source of advice to government on the role and capacity of the sector.

Extensive consultation with the sector will be required to ensure the Registrar is responsive to the diversity of the community sector. Consultations held by the Senate Standing Committee on Economics as part of the 2008 *Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations* unearthed suggestions to establish a joint taskforce to lead the project, comprised of representatives of Government and the community sector.

It was suggested that the taskforce's first duty would be the consideration of an appropriate model for a national regulatory body, leadership of the sectoral consultation, and, the development of an implementation strategy to support its introduction. CHF supports this proposal and cites the ACT Joint Community Government Reference Group, featuring representatives from the ACT Council of Social Service, other community peak bodies, and key members of the ACT public service as a possible model.

Realising funding opportunities for the sector

CHF supports the Australian Council of Social Service's call for a second wave of reform to more narrowly define work addressing disadvantage, such as "a charity whose purpose is to benefit directly or indirectly those whose disadvantage prevents them from meeting their needs." We also back ACOSS' calls to ensure that all community sector managed programs are funded on a three-year basis and to include annual indexation in all Government-community sector contracts.

We also submit that advocacy is a legitimate organisational activity, and is worthy of support. Supporting organisations to undertake consultation, underpinned by robust and transparent networks, enriches policy debates. In our organisation, policy is developed through wide consultation with members, ensuring a broad, representative, health consumer perspective. Funding or tax exemptions should not be restricted to organisations on this basis given the immense public policy and service delivery benefits advocacy can produce.

Sustaining the Not-for-Profit workforce

CHF commends the Commission for its focus on workforce issues in the Draft Research Paper. We strongly support Recommendation 10.2, that Governments purchasing community services base their funding on relevant market wages for equivalent positions.

According to ACOSS, more than half of community organisations surveyed in 2008 had difficulty attracting appropriate staff. This was primarily due to low levels of pay and the availability of paid work. Turnover in community organisations across the country varies from 16% to 30%, with a nominal turnaround period of two years. Research recently conducted by the Australian National University also found that workers covered by social and community service awards are the second most lowly paid in the country, behind hospitality and retail workers. On this basis, CHF believes the viability of the community sector workforce is threatened.

We note that the ACT Government will be undertaking a comprehensive review of all community sector contracts, both short-term and recurrent, with a view to achieving parity in wages and conditions between the ACT public and community sectors. We also note the recent decision of the Queensland Industrial Relations Commission, which found that workers employed on social and community service awards were not being appropriately compensated for their work and exposed the lack of parity in their pay and conditions.

Across the country, the community sector is heavily award reliant. Without capacity to seek additional funding, CHF considers that changes to contractual arrangements and changes to the award are the only ways of ensuring pay parity for community sector workers.

Removing impediments to better value funding of government funded services

Although CHF welcomes the Commission's support of collaboration within the sector, the model proposed by the draft report relegates collaboration with community organisations to scenarios in which market based approach is unworkable or in the case of special circumstance. We note the strong call throughout the first round of consultations for greater collaboration with the community sector, and in particular, refer to section 3.2 *Community Organisations as Preferred Providers* of the submission made by Family Relationship Services Australia:

Government funding bodies tend to recognise or substantially value only their own financial input into service delivery. In some cases this can undermine the relationship the organisation has with the community by attempting to ascribe 'ownership' almost exclusively to the funding body. For example, the network of Family Relationship Centres were subject to very strict branding protocols that required extensive display of Federal Government brands at the same time prohibiting the display of the organisation's identity on external walls, publications or documents. The intent was to create a nationally recognised service with clear branding. However, the sector felt that this could be achieved with co-branding rather than exclusive government branding which fails to value the community profile of the provider organisation.

CHF suggests that collaboration between the public and community sectors could be improved by allowing for input into the design of programs and projects, as well as their delivery.

We also note the discrepancies in funding between the private and community sectors. At present, a community organisation that delivers a service for less than the budgeted amount is required to return the surplus, unless special approval is granted. Private organisations or consultants would usually expect to retain the surplus. CHF is pleased that the Commission has recognised this as a barrier to improving efficiency. We also submit that funding contracts should allow for sufficient flexibility so that surpluses in one financial year can be applied against deficits in another; and that contracts should adopt language that focuses on outcomes rather than inputs, as a means of sharing risk and promoting efficiency.

Building stronger, more effective relationships for the future

CHF agrees with the Commission on the matter of Government and community sector Compacts as a means building a partnership and enhancing collaboration. CHF has strongly supported and actively participated in the development of a National Social Compact, and hopes it will offer practical improvements to the sector. However, the compact will not be effective without a clear dispute resolution mechanism to mediate and resolve contentious issues. CHF also supports the establishment of a dedicated office

within the Department of the Prime Minister and Cabinet to work with and over see the community sector. CHF also considers the establishment of this office as an opportunity for the public and community sectors to implement the forthcoming Compact.

Additional comments

CHF notes the broad consensus amongst the submissions received in the first round of consultations for more inclusive language within the report. CHF supports the use of the terms 'community sector' and 'community organisation' rather than 'not for profit' or 'non-government'. We feel this better captures the cause driven and people centred focus of the sector. By in large, this is the language that is used within the sector itself, and adoption of this language promotes a shared identity amongst our organisations.

Conclusion

CHF welcomes the opportunity to comment on the Productivity Commission's draft research report on the contribution of the sector. We are largely supportive of the research report's findings, and look forward to reviewing the finalised report and participating in the implementation of its recommendations.



The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF does this by:

1. advocating for appropriate and equitable healthcare
2. undertaking consumer-based research and developing a strong consumer knowledge base
3. identifying key issues in safety and quality of health services for consumers
4. raising the health literacy of consumers, health professionals and stakeholders
5. providing a strong national voice for health consumers and supporting consumer participation in health policy and program decision making

CHF values:

- our members' knowledge, experience and involvement
- development of an integrated healthcare system that values the consumer experience
- prevention and early intervention
- collaborative integrated healthcare
- working in partnership

CHF member organisations reach thousands of Australian health consumers across a wide range of health interests and health system experiences. CHF policy is developed through consultation with members, ensuring that CHF maintains a broad, representative, health consumer perspective.

CHF is committed to being an active advocate in the ongoing development of Australian health policy and practice.